

Bonnie Metz
Director
State Government Affairs



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The Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, Delaware 19904

May 11, 2016

Re: 2016 Verizon Delaware Price Cap Filing

Dear Ms. Bentley:

Pursuant to 26 Del. C. §707, Verizon Delaware LLC ("Verizon DE") annually makes a "Price Cap Filing" detailing the permissible changes to rates for services classified as "basic" under Title 26 pursuant to an inflation-based formula. In 2013, House Bill 96 changed portions of Title 26 governing telephone carriers. Those changes directly impact the annual Price Cap Filing requirements. The inflation-based calculations under Section 707(b) are now limited to rates for intrastate Switched Access services, but Verizon DE is prohibited from increasing those rates, as explained below. Thus, so long as the rate of inflation remains positive, Verizon DE will not be able to change any rates as a result of its annual Price Cap Filing.

Under federal law, Verizon DE is prohibited from increasing its intrastate Switched Access rates. For price cap carriers like Verizon DE, "[a]ll intercarrier switched access rate elements, including interstate and intrastate originating and terminating rates and reciprocal compensation rates are capped." *Connect America Fund; a National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers; Developing a Unified Intercarrier Compensation Regime, etc.*, WC Docket No. 10-90, etc., Report and Order and Further Notice of Proposed Rulemaking (Nov. 18, 2011) ¶ 801, Figure 9. In addition, 26 Del. C. Section 707(c) also states "A service provider may not increase switched access rates unless required to maintain parity with its interstate switched access rates." As a result, Verizon DE would not be able to implement any rate increase permitted by the 2016 PI calculations.

Based on discussions that Verizon DE had with Staff on this issue, this letter serves as the 2016 Annual Price Cap Filing for Verizon Delaware. Because inflation remains positive, any calculations under the Price Cap formula would have yielded a rate increase. However, Verizon DE cannot increase its Switched Access rates and therefore proposes no rate changes as a result of this filing.

If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink that reads "Bonnie Prust". The signature is written in a cursive style with a large, stylized "P" and a long, sweeping underline.

PUBLIC SERVICE COMMISSION VERIFICATION

I, BONNIE L. METZ, Secretary of Verizon Delaware LLC, hereby attests that the information contained in the May 11, 2016 letter filing is true and correct to the best of my information and belief.

Attested on this date: 5-11-16

Bonnie L. Metz
Signature

Bonnie L. Metz

Name

Secretary

Title

Sworn to and subscribed before me this 11th day of May, 2016.

Rita M. Carnevale

RITA M. CARNEVALE
NOTARY PUBLIC
STATE OF DELAWARE
My commission expires Dec. 17, 2016